TAKSON HOLDINGS LIMITED
第一德勝控股有限公司 *

(Incorporated in Bermuda with limited liability)

website: http://www.takson.com

(Stock Code: 918)

ANNOUNCEMENT OF CONDENSED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2013

The Board of Directors (the "Board") of Takson Holdings Limited (the "Company") presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2013 (the "Review Period"), together with the comparatives. These condensed consolidated interim financial information have been reviewed by the Company's audit committee, but have not been reviewed by the Company's auditor.

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2013

		Unaudited Six months ended 30th September,	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**168,643**	146,045
Cost of sales		**(130,508)**	(118,890)
Gross profit		**38,135**	27,155
Other income		**190**	282
Selling, distribution and marketing expenses		**(6,505)**	(3,968)
Administrative expenses		**(10,916)**	(9,285)
Operating profit		**20,904**	14,184
Finance costs	*4*	**(1,976)**	(1,513)
Profit before taxation	*5*	**18,928**	12,671
Income tax	*6*	**—**	—
Profit for the period		**18,928**	12,671
Total comprehensive income for the period		**18,928**	12,671
Profit for the period attributable to:			
Equity holders of the Company		**18,928**	12,671
Total comprehensive income attributable to:			
Equity holders of the Company		**18,928**	12,671
Earnings per share attributable to the equity holders of the Company during the period			
— basic *(HK cents)*	*7*	**2.44**	1.64
— diluted	*7*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September, 2013

	Note	**Unaudited 30th September, 2013 *HK$'000***	Audited 31st March, 2013 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**9,573**	9,971
Leasehold land		**16,699**	16,945
Investment properties		**80,422**	80,422
Deferred tax assets		**690**	690
		107,384	108,028
Current assets			
Inventories		**5,540**	3,235
Trade receivables	*9*	**197**	—
Deposits, prepayments and other receivables		**8,731**	4,997
Cash at bank and in hand		**53,199**	27,275
		67,667	35,507
Total assets		**175,051**	143,535
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**77,485**	77,465
Reserves		**2,909**	(16,035)
Total equity		**80,394**	61,430

	Note	Unaudited 30th September, 2013 HK$'000	Audited 31st March, 2013 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**1,467**	1,884
Post employment benefits		**263**	263
		1,730	2,147
Current liabilities			
Trade and bills payables	*10*	**24,067**	153
Other payables and accrued charges		**1,934**	3,160
Bank borrowings		**66,926**	76,645
		92,927	79,958
Total liabilities		**94,657**	82,105
Total equity and liabilities		**175,051**	143,535
Net current liabilities		**(25,260)**	(44,451)
Total assets less current liabilities		**82,124**	63,577

The accompanying notes are an integral part of the condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. Accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual accounts for the year ended 31st March, 2013.

Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

New and revised Standards and Interpretations applied with no material effects on the consolidated interim financial statements

The following new and revised Standards and Interpretations have also been applied in these consolidated interim financial statements. The application of these new and revised Standards and Interpretations does not have any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors have made an assessment of the application of HKFRS 10 and concluded that the application of the standard has had no significant impact on the financial results or position of the Group for the current interim or prior period.

3. Turnover and segment information

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products, and property investment. Revenue recognised during the period is as follows:

By business segments:

	Six months ended 30th September, 2013 ***HK$'000***		
	Export business	**Property investment**	**Total**
Turnover	**166,880**	**1,763**	**168,643**
Segment operating profit/(loss)	**25,374**	**(3,164)**	**22,210**
Unallocated corporate expenses			**(1,306)**
Operating profit			**20,904**
Finance costs	**(1,903)**	**(73)**	**(1,976)**
Profit before taxation			**18,928**
Income tax			**—**
Profit for the period			**18,928**

	Six months ended 30th September, 2012 *HK$'000*		
	Export business	Property investment	Total
Turnover	144,537	1,508	146,045
Segment operating profit/(loss)	18,628	(3,278)	15,350
Unallocated corporate expenses			(1,166)
Operating profit			14,184
Finance costs	(1,432)	(81)	(1,513)
Profit before taxation			12,671
Income tax			—
Profit for the period			12,671

By geographical segments:

	Turnover Six months ended 30th September,	
	2013	2012
	HK$'000	*HK$'000*
United States of America	**164,932**	141,304
Canada	**1,709**	2,862
Others	**2,002**	1,879
	168,643	146,045

4. Finance costs

	Export business Six months ended 30th September,		Property investment Six months ended 30th September,		Total Six months ended 30th September,	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank loans	**1,865**	1,365	**73**	81	**1,938**	1,446
Interest element of finance lease obligations	**38**	25	**—**	—	**38**	25
Other interest expense	**—**	42	**—**	—	**—**	42
	1,903	1,432	**73**	81	**1,976**	1,513

5. Profit before taxation

Profit before taxation is stated after crediting and charging the following:

	Export business Six months ended 30th September,		Property investment Six months ended 30th September,		Total Six months ended 30th September,	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Crediting						
Interest income	**126**	245	**—**	—	**126**	245
Rental income	**—**	—	**1,763**	1,508	**1,763**	1,508
Charging						
Cost of inventories sold	**130,508**	118,890	**—**	—	**130,508**	118,890
Amortisation of leasehold land	**—**	—	**246**	246	**246**	246
Depreciation						
Owned property, plant and equipment	**80**	117	**150**	159	**230**	276
Leased property, plant and equipment	**292**	112	**—**	—	**292**	112
Operating lease rentals in respect of land and buildings	**807**	750	**—**	—	**807**	750
Staff costs, including directors' emoluments	**4,719**	3,736	**4,105**	4,193	**8,824**	7,929

6. Income tax

No provision for Hong Kong profits tax has been made as the Group had available tax losses brought forward to offset the assessable profits generated during the period (2012: HK$NIL).

7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	2013	2012
Profit attributable to the equity holders of the Company *(HK$'000)*	**18,928**	12,671
Weighted average number of ordinary shares in issue *(thousands)*	**774,511**	774,456
Basic earnings per share *(HK cents per share)*	**2.44**	1.64

No diluted earnings per share is presented for the six months ended 30th September, 2013 and 2012 as the outstanding share options are anti-dilutive.

8. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2013 (2012: HK$NIL).

9. Trade receivables

At 30th September, 2013, the ageing analysis of trade receivables is as follows:

	30th September, 2013	31st March, 2013
	HK$'000	*HK$'000*
0 – 30 days	**197**	—

All trade receivables are denominated in US dollars.

Majority of the Group's export sales are generally on open account of 15 days and letter of credit at sight. The Group considers that the trade receivables as at 30th September, 2013 is fully recoverable and believes that no impairment allowance is necessary.

10. Trade and bills payables

At 30th September, 2013, the ageing analysis of trade and bills payables is as follows:

	30th September, 2013	31st March, 2013
	HK$'000	*HK$'000*
0 to 30 days	**10,971**	153
1 to 3 months	**12,945**	—
4 to 6 months	**151**	—
	24,067	153

All trade and bills payables are denominated in US dollars.

Payment terms with suppliers are generally on letters of credit and open account. Certain suppliers grant credit terms between 30 to 60 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Group results

The Group recorded a turnover of HK$168.6 million in the Review Period, representing an increase of 15.5% compared to the corresponding previous period. Gross profit margin increased from 18.6% in the corresponding previous period to 22.6% in the Review Period. Net profit attributable to the equity holders of the Company was approximately HK$18,928,000, representing an increase of approximately 49.4% from the corresponding previous period.

Business overview

Export business

In the Review Period, the Group continued to focus its effort in Original Design Manufacturer ("ODM") business and saw a steady growth of such orders from its existing and new customers. Total turnover in the Review Period increased by 15.5% to HK$166.9 million compared with the corresponding previous period. Gross profit margin increased from approximately 18.8% in the corresponding previous period to approximately 21.8% in the Review Period. The increase was due to the improvement in the Group's bargaining power in material purchases and sub-contracting charges resultant from the increase in order sizes. Selling, distribution and marketing expenses increased by 63.9% to HK$6.5 million due to heavy investment in product development and overseas marketing expenses to attract new customers. Administrative expenses increased by 17.6% mainly due to increase in payroll cost for recruitment of additional managerial grade staff to handle new product lines and new customer orders, and bonus payment to retain staff of all grades. Overseas travelling expenses also increased with more trips taken to meet existing and potential customers. Finance cost increased by 30.6% due to general rise in bank interest rate and increase in utilization of banking facilities for its export business.

Property investment

The Group continued to lease its investment properties in Hong Kong and China and recorded rental income of HK$1.76 million compared to HK$1.51 million in the corresponding previous period. As at the end of the Review Period, all investment properties were fully let out.

Prospects

With the success of its ODM business, the Group will put more resources in expanding its ODM business which offers reasonable margins and also provide value for money procurement services to its OEM customers. Besides the ODM Business, the Group plans to start its OBM (Own Brand & Manufacturing) business in the second half year. The Group will increase its investment in this area if the market feedback is positive. Over the last few years, the Group has been trying to develop more product lines for selling in spring/summer season to reduce its reliance in fall/winter season.

Such effort is not yet fruitful, hence orders for delivery in the second half year will be significantly less than the first half year. The positive note is that the 2014 fall winter collection presented to customers were well received and the Group is optimistic that the orders for 2014 will increase significantly. The property investment business continues to provide a steady stream of income to the Group. The Board is optimistic of the future of the Group.

Liquidity and financial resources

The Group generally finances its operations with its own working capital, trade facilities and revolving bank loans provided by its principal bankers in Hong Kong. Total net cash inflow from operations amounted to approximately HK$38.0 million for the Review Period (2012: HK$31.8 million).

As at 30th September, 2013, the Group's net borrowings comprised bank loans and obligations under finance leases, the aggregate amount of which was approximately HK$68.4 million (as at 31st March, 2013: HK$78.5 million). Among the total outstanding amounts of bank loans and obligations under finance leases as at 30th September, 2013, 73% (as at 31st March, 2013: 71%) are repayable within one year, 4% (as at 31st March, 2013: 7%) are repayable in the second year and the remaining balance are repayable in the third to fifth year. The Group's loans from a bank are subject to floating interest rates while obligations under finance leases are subject to fixed interest rates.

The ratio of current assets to current liabilities of the Group was 0.73 as at 30th September, 2013 compared to 0.44 as at 31st March, 2013. The Group's gearing ratio as at 30th September, 2013 was 0.54 (as at 31st March, 2013: 0.57) which is calculated based on the Group's total liabilities of HK$ 94.7 million (as at 31st March, 2013: HK$82.1 million) and the Group's total assets of HK$175.1 million (as at 31st March, 2013: HK$143.5 million). As at 30th September, 2013, the Group's total cash and bank balances amounted to HK$53.2 million compared to HK$27.3 million as at 31st March, 2013.

The monetary assets and liabilities and business transaction of the Group are mainly carried out and conducted in Hong Kong dollars, Renminbi, and United States dollars. The Group maintains a prudent strategy in its foreign exchange risk management, with the foreign exchange risks being minimized through balancing the monetary assets versus monetary liabilities, and foreign currency revenue versus foreign currency expenditure. The Group did not use any financial instrument to hedge against foreign currency risk.

Charge of assets

As at 30th September, 2013, the investment properties and leasehold land and buildings in Hong Kong and the PRC held by the Group with an aggregate carrying value of approximately HK$102.2 million (as at 31st March, 2013: HK$102.5 million) were pledged as first legal charge for the Group's banking facilities.

Contingent liabilities and litigation

The Company has executed corporate guarantees with respect to banking facilities made available to its subsidiaries. As at 30th September, 2013, the facilities utilised amounted to HK$78.7 million (as at 31st March, 2013: HK$78.5 million).

Except for the foregoing, as at 30th September, 2013, the Group had no other significant contingent liabilities or pending litigation.

Employees

As at 30th September, 2013, the Group had a total of 43 employees, as compared to 42 employees as at 31st March, 2013. Staff costs including directors' remuneration were approximately HK$8.8 million and HK$7.9 million for the Review Period and the six months ended 30th September, 2012 respectively.

The Group remunerates its employees (including Directors) primarily with reference to the industry practices, including contributory provident funds, insurance and medical benefits. The emoluments of the Directors are determined by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Group has also adopted a discretionary bonus scheme for the management and the staff with awards which are determined annually based upon the performance of the Group and individual employees.

The Company operates a share option scheme (the "Scheme") whereby the board of Directors may at their absolute discretion, grant options to employees and executive directors of the Company and any of its subsidiaries to subscribe for shares in the Company. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the prescribed terms of the Scheme.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the Review Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Review Period.

Compliance with the code on corporate governance practices

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the Review Period, except for the deviations discussed below.

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer of the Company should be separate and should not be performed by the same individual.

The Company has deviated from the Code provision A.2.1 and the roles of the chairman and the chief executive officer of the Company are now performed by the same person. Mr. Wong Tek Sun, Takson now assumes the roles of both the chairman and the chief executive officer of the Company. The Board intends to maintain this structure for the time being as it believes that this structure can provide the Group with strong and consistent leadership and allows more effective planning and execution of long-term business strategies.

Code provision A.4.1

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and are subject to re-election.

The Company has deviated from the Code provision A.4.1. The non-executive Directors (including independent non-executive Directors) are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting pursuant to Bye-law 87 of the Company's Bye-laws.

The Board believes that, despite the absence of specified term of non-executive Directors, the Directors are committed to representing the long-term interests of the shareholders of the Company.

Model code for securities transactions by directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules, as the code of conduct regarding securities transactions of the Directors. Having made specific enquiry of all Directors, they all confirmed that they have complied with the Model Code during the Review Period.

Audit Committee

The Audit Committee comprises two independent non-executive directors, Mr. Wong Kwok Tai and Mr. Chau Tsun Ming, Jimmy, and a non-executive director, Mr. Wong Tak Yuen.

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Directors and the Company's auditor in those matters coming within the scope of the audit of the Group. It also reviews the effectiveness of the external audit, the internal controls, risk evaluation and financial reporting matters including review of the interim report and the unaudited condensed consolidated interim financial information for the Review Period with the Directors.

Publication of interim results and interim report

This announcement is published on the HKEx website (http://www.hkex.com.hk) and the Company's website (http://www.takson.com). The 2013-14 interim report containing all the information required by the Rules Governing the Listing of Securities on the Stock Exchange will be published on the HKEx website and the Company's website in due course.

By Order of the Board
Wong Tek Sun, Takson
Chairman

Hong Kong, 8th November, 2013

As at the date of this announcement, the board of Directors of the Company comprises two executive directors, namely Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita; three independent non-executive directors, namely Mr. Chau Tsun Ming, Jimmy, Mr. Cunningham, James Patrick and Mr. Wong Kwok Tai; and one non-executive director, namely Mr. Wong Tak Yuen.